Belgium Introduces Wealth Tax on Securities Accounts

Posted on Mar. 7, 2018

By Marc Quaghebeur

The Belgian Parliament on February 1 adopted a law introducing an annual 0.15 percent tax on financial instruments held in securities accounts valued over €500,000 that will in effect be a wealth tax.

Tax on Securities Accounts

The tax is due on any securities, trading, or brokerage accounts held by individuals that have a value in excess of €500,000 per account holder (€1 million for married couples and registered partners), and it applies to Belgian and overseas accounts held by Belgian residents as well as Belgian securities accounts held by nonresident account holders.

Only the following financial instruments are taken into account to determine the €500,000 threshold and to calculate the tax:

- stocks, regardless of whether they are of listed companies, and share certificates of such shares;
- bonds, regardless of whether they are listed, and certificates of such bonds;
- listed or unlisted rights in mutual investment funds or shares in investment companies;
- cash bonds; and
- warrants.

Other financial instruments, such as stock options or futures, are not taxed. Stocks and bonds that are registered in a share or bonds register are also exempted. Bonds or stocks that were converted to the company's registers after December 9, 2017, will be disregarded for a year.

The value of the financial instruments is calculated as the average of the stock price or the asset value of the financial assets over the period from October 1 to September 30. Practically speaking, it is the average stock price or valuation recorded on December 31, March 31, June 30, and September 30 — that is, at the close of the last day of the quarter or the last net asset value of the quarter that is publicly available.

If the account is opened or closed during the year, the value of that day is taken as a cutoff date to calculate the value and the tax proportionally to the number of days in the period October to September. The same applies when the account holder changes or when the account holder leaves Belgium and transfers his securities account.

The tax is calculated at 0.15 percent of that average value of the taxpayer's share, not just on the tranche over €500,000.

Accounts With Multiple Account Holders

All account holders are liable for the tax, regardless of their status: full ownership, bare ownership, or usufruct (or life interest). If the securities account has two or more account holders, it is presumed that the account is held in equal shares by all account holders even if one account holder is only the bare owner and the other has usufruct.

However, for older account holders, the actuarial value of their usufruct may be less than the value of an equal share. They can recover part of the tax by filing a separate tax return with the other account holders.

Procedure and Payment

Belgian banks report the values of the securities and the tax due per account holder, deduct the tax from the account holder's account, and pay it to the tax authorities. The tax is to be reported and paid by December 20, starting in 2018.

If the account holder has more than one securities or brokerage account and anticipates that the total value will exceed the €500,000 threshold, he must authorize the bank to deduct and pay the tax. He will have to report in his annual income tax return that he has more than one securities account.

Overseas banks may also report and pay the tax via a fiscal representative based in Belgium. However, if they do not, Belgian resident account holders will have to report the value of their securities online, together with their annual income tax returns, and pay the tax by August 31. Failure to report, and late, incomplete, or inaccurate filing can attract a penalty of 10 to 200 percent, depending on the importance of the infringement. The fine can be dropped if the account holder was acting in good faith.

Antiavoidance Measures

Securities accounts held by a company or another legal entity are exempt. However, any transfer of the securities to the account of a company or legal entity that is liable to corporate income tax — for the sole purpose of avoiding the new tax — will be disregarded. The securities will be deemed to be owned by the transferor.

Entry Into Force

The tax was scheduled to enter into force on January 1 as a trade-off for the company income tax reform, but the bill was not passed in time. The law is expected to be published in the Belgian State Gazette when it enters into force. The tax will be due for the first time in 2018.

Marc Quaghebeur, De Broeck Van Laere & Partners